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Epilogue: Philosophical Issues in Political Economy

I recently heard an economist reproach his interlocutor for knowing as little about economics as he, the economist, knew about political philosophy. In that case the reproach missed the mark; had it been addressed to me, it would have been true: I do not know anything about economics. Abundant modesty aside, I would like to offer my credentials, theoretical and practical, to comment on political economy. Donald McCloskey and John Nelson's chapter raised the question—which is the American Question—"If you're so smart, why aren't you rich?" Well, I am now. Before the publication of *The Closing of the American Mind* in 1987, I could not have said that. The lack of modesty in my statement of course must be somewhat chastened by the reflection that my competitor on the bestseller list, Bill Cosby, made $84 million that year. Since he is much richer than I, he must be much smarter.

Having been trained at the University of Chicago, though not in economics, I could six months ago have been carted out here by one of the Chicago economists as a perfect example of a lower-class personality, unable to delay gratification in order to hoard my resources, invest them properly, and so on. I was the despair of my economics-trained students. In this regard I taught only by negative example. Today I have invested my intellectual capital at the right time, so I have been thoroughly rational according to economic models. Abram

Shulsky has refined this analysis by pointing out that when interest rates were low and taxes high, I was in debt, and that I chose the narrow window of the lowest tax rate in years in which to make some money. As the economic man, therefore, I fit here.

Furthermore, and more important, as a young man at the University of Chicago, I saw and listened to—indeed, I lived in a world that was permeated by—such men as Frank Knight, Friedrich Hayek, the young Milton Friedman, and George Stigler. There was an Olympus, as it were, of a certain kind of economics around me.

The rich and impressive chapter by Viktor Vanberg and James Buchanan is perhaps characteristic of political economy: it tries to assert that economics *is* political philosophy. I mean that it addresses the greatest traditional questions. Political economy is an old tradition, in some sense founded by Adam Smith but actually much older. In the older understanding, of course, economics was the servitor of politics, which was the grander science and dealt with the comprehensive good. Under its governance, guided by it, economics served the secondary interests of wealth—secondary to the great national goals and also, surely, not superior to those of religion, education, and so on.

The problem of political economy is that economics seceded—but seceded in the way, say, that the automobile business seceded from the carriage-making trade. Economics is strong, healthy, self-confident; and one has to ask oneself why one is impressed. One is impressed by economists, in the first place because in some sense they claim to have a science. Political scientists can hardly claim to have a science these days. Second, I think, simply because economists are the only social scientists whose very science provides them with a place in government. You don't have to be a political scientist to be secretary of state. You do have to be an economist to be chairman of the Council of Economic Advisers. Economists carry a certain force with them. They are the ones with the winds of history in their sails, and I usually see them going by with their sails billowing.

What is particularly charming about this volume, and endlessly fascinating to me, is how wonderful the economists have been, in their various ways, in putting themselves out on the line—the dividing line between their discipline and the rest of the world. This has been very impressive. What comes especially to light is that in the course of this secession, economics has been left with a problem, one that is sensed very strongly in the chapter by Vanberg and Buchanan. The problem is that within the perspective of economics, justice is

usually in quotation marks. And yet, when economics becomes or tries to comprise political science, the larger goal of politics—call it the question of justice or the question of the common good, if you like—keeps coming back in one or another frustrated way.

Given my external perspective and psychological taste, when it comes to these questions I cannot help asking myself why people do economics. Economists don't talk like politicians or political scientists, and I have to ask myself why anybody would talk like this. A conversation, I think, illustrates the same issue. Two rational-choice theorists disagreed about how one should talk to a student who has cheated. One said, "I say it's bad." I think he could only say that personally, and not economically; this is my assertion, which has something to do with the problem posed by Vanberg and Buchanan's chapter. The other said he never says, "It's bad." Instead, he tells the student that it is not in his best interest to cheat.

At that point I shouted out like a person from the mob, "That's not true!" And I think it is clearly not true, at least not on the grandest level. If students read the lives of the heroes, of Napoleon or Alexander the Great or Caesar, they will find that these men were not famous for their truthfulness. Who was the most successful, impressive political figure in the world since the Second World War? De Gaulle, who did nothing but lie his entire life. He was able to deceive the French people repeatedly. Having started a revolution himself, he put people to death for doing the same thing. That's politics; and in a way that's life.

There is a real problem here, which I think Professors Vanberg and Buchanan are addressing by asking this question: How can we go from the rational, selfish individual to some respect for the common good? I cannot put their question any other way (although perhaps they would disagree with my formulation). Their notion of constitutional rules, their trying to move from individuals to small collaborations to the larger group—all this seems to be an attempt to find some way, somehow, of deriving out of selfishness some concern for the common good. In some sense, it seems to me, they are trying to reinvent the wheel. But unlike most such inventors, they have a good reason for doing it: the wheel no longer exists.

I do not, however, think they are looking back sufficiently at the old models of the wheel; I will return to this issue later. If I may mix up my metaphor, I'd also say that they are trying to square the circle. Rousseau put the problem with human relations like this. Everybody cares most about himself; everybody loves himself most. This is perfectly all right. But everybody wants everybody else to love him as

much as he loves himself. That is simply impossible. In a way, the political problem is close to being insoluble. The old problem—perhaps not the oldest way of formulating the problem, but certainly the old problem within our tradition—is that of the individual and society.

I assert that it is impossible to go from atomic individuals to caring for the common good. What is impressive about Vanberg and Buchanan's chapter, however, is that it states the difficulty with great clarity and tries to fill the gap that is there. In a way it reduces that gap and shows where one has to leap. I think the authors have leapt, but I am not sure they reached the other side. They understand that there is some threat to a moral constitutional order; the criminal personality poses a problem, but the authors have no scheme in which they can prove that breaking those rules is bad for the criminal.

Vanberg and Buchanan propose a series of ways to bridge the problem of individuality and community. They touch on the possibility that perhaps a certain genetic history builds in some kind of communal sentiment or caring. They mention Adam Smith's moral sentiments without telling much about them. They suggest that small groups, starting with two people, could develop effective rules. On these lines of thought, clearly, two people can agree on such rules more easily than a small group, and a small group more easily than an entire society. But the group of ten or twelve persons that the authors outline is the perfect prescription for a street gang. Will the members not quickly learn that their cooperation in exploiting others will be profitable? An old joke tells of a man who stops in Maine and asks for road directions to Boston and is told, "You can't get there from here." The problem with the authors' suggestion is that you can't get there from here. Certainly you can construct groups, but the moral basis of those groups is no different from that of a band of thieves. The small-group approach, and then building out of small groups, will not suffice.

The question I keep asking myself is, Why begin this way? Why suppose that the real human being is this kind of atom, this individual, concerned only about himself and his series of preferences? (The preferences themselves are taken to have no rational basis, but man can use reason, once he has somehow chosen reason, to select the best means to satisfy them, and also, perhaps, to evaluate the various ends against one another in relation to a higher or more comprehensive end.) I do not understand that postulation. Human beings are not evidently like that, for the person we see in society is, for example, very frequently a religious believer. Why should we not think of

the human being we see as a being in the image of God (or a being toward death, as Heidegger says), rather than a selfish, maximizing, or satisficing, being? Each of these formulas has its plausibility, and I do not understand why the authors choose one to the exclusion of the others.

I believe economists to be very moral men—and I know that they would consider that an insult. (I also find economists the most cheerful of the social scientists; anthropologists, for example, tend to be rather gloomy.) Professor Craig Stubblebine has remarked that locks on houses prove that we do not trust people. Hobbes, in making exactly this observation, noted that even fathers put locks on their chests to keep their sons from stealing. What does that say about our trust in human nature? The individualistic system is thus proved, in a way, by the fact that for all our good wishes, our love of family and of our wonderful children, we still lock the chest. Upon hearing this, Professor Buchanan remarked, "God save us!" If we get to the point where we have to depend upon such extremes. . .

Now I know that was just a turn of phrase, but I think it revealed very well something that I observed in the old University of Chicago economists: the notion that a decent society requires a certain amount of trust, that the model of mutual exploitation is in some sense only a model, and that one tries to prevent that extreme situation which in a way Professor Stubblebine was accepting as a sort of happy proof. What I mean to say about the economists' being very moral is something said over and over but nonetheless, I believe, true: that despite their tough-guy stance they believe a harmonious end will emerge where everybody will profit even though nobody has to go through the efforts of morality. I think one can state the gist of Professor Buchanan's famous article on the Good Samaritan as being that he too was somehow selfish, that his goal was to be a good Samaritan, which somehow made him feel good. If he had full understanding, he would be willing to apply such sanctions as would make the recipient of his good deeds behave and not just be a free-loader. One could call this an attack on the moral man in the name of morality. Such a characterization gives some indication of what I mean. One could say I am trying to identify what kind of person accepts this nonmoral beginning point. I think it is the kind of person who hates hypocrisy, who wants to accept human beings not as they actually are or most deeply are, but as we see them every day.

Another remark surely fits here; it was repeated by Professor Buchanan and agreed to by Professor Gauthier: those economists

who take the rational, individualist approach don't want anything from outside. In other words, they are trying to devise effective rules that rest only on rational agreement among individuals, without any appeal to outside criteria or higher authority. The question is whether one can avoid using anything from outside—whether the attempt to do so does not require elaborate contortions.

I mentioned the University of Chicago professor Frank Knight earlier. I knew him fairly well—he obviously was not my teacher; I would know a lot more if he had been. But I saw him a great deal—I remember his coming to my doctoral exam. He was somewhat different from most economists. In the first place he was always a professor of philosophy and economics. Philosophy came first, I think, for Frank Knight. Even if it did not, one thing is certain: he was God-obsessed. He spent his life thinking about God. As he got older it became ever more apparent—he would be seen at every session or lecture that might deal with that question. My understanding of this is as follows: He was an old Voltairean and somehow he knew that this was the crucial issue. He was an atheist very explicitly, but he was an atheist who was not sure. That is not the same thing as an agnostic. He knew he had placed his chips, but he did not know where the wheel was going to stop. In a way his economics depended upon God not existing; if God did exist, there was something outside, and this meant conduct could be shameful and sinful. And he knew that this wasn't so clear.

I remember the first time I saw him. Arnold Toynbee (who was a kind of pious fraud, he was so famous) was visiting, and everybody was sitting there, so thrilled to see the great man. Frank Knight came stalking in late and sat down noisily. Toynbee was saying, "Now, we men are all brothers and that's because there is the fatherhood of God." Finally, Knight said—just loudly enough for everybody to hear—"Where do you get that shit?" He really cared about the issue, whereas Milton Friedman is indifferent to it. To Friedman, whether to believe in God or not to believe in God is a preference. For Frank Knight it was clearly *the* question. Somehow I feel a little of Frank Knight in Professor Buchanan.

I turn now to an attempt to understand where the economists begin, what they start from. I am impressed that throughout this volume the name of Hobbes keeps coming up—that although Hobbes did not found political economy, somehow his model was closer than anything else to what we would like. I think that Hobbes is not a bad beginning point for economists, because I really do consider him an

essential source. He is thought to reason so closely and in a way that is so useful to economists, I think, because he was indeed the first to argue through this kind of individualism. I am very struck, in contrast, by a silence concerning Locke. If economists want to use Hobbes, however, they are going to have trouble establishing the notion of a free market; for it seems to me that in crucial respects Smith followed Locke, not Hobbes.

I want to say a few words about Hobbes, because in my view the contributors to this book have done a good thing in bringing, if not political science and economics, at least political philosophy and economics back together—and of course Hobbes understood himself to be a political philosopher. The study of what he actually said is of great importance to us, because economists treat him a little too much as they do Adam Smith, as simply a forerunner of what economists are now doing. I would suggest, however, that a man who so clearly defined the problem at the beginning may have also thought it through more deeply and coherently than his successors. At least I think we have to open up that possibility.

Let me raise a question that modern economists do not talk about but to which I think Adam Smith gave serious thought. Hobbes insisted that man originally was in a state of nature. That very important point means that man was this way naturally. There is a nature, in which man had a nature. One could say that the critical difference between the way Hobbes describes man and what economists say goes on in man is that economists today talk about preferences, whereas Hobbes talked about passions. Passions are real, natural things. Hobbes maintained, of course, that one had to get some kind of ordering of the passions, that fear was objectively a passion that all men share, and that precisely that passion could be the ground of a social contract. A very powerful common passion is what could provide the connection. That passion, fear of death, was really the beginning of society. Hobbes is the founder of the social contract teaching (and Locke and Adam Smith continue that approach). Professors Vanberg and Buchanan really are talking about establishing a social contract. Hobbes argued, however, that if you do not have an objective, common passion—as opposed to kaleidoscopic preferences—there is no possibility of a contract.

Hobbes was really the model for social contract thinking, at least for thinking that the social contract doctrine could work or be satisfying intellectually. (I am of course arguing, unfortunately, that I do not think Professors Buchanan and Vanberg have been satisfying intellectually.)

A central part of Hobbes's endeavor consists of the careful attention he devotes to handling the problems connected with anger. Vanberg and Buchanan talk about anger in their chapter to some extent; but this, I believe, is a place where their analysis falls short.

They recognize anger as a problem and suggest several lines of approach to it. In some sense they appear to argue that from the standpoint of individual rationality that they are using, anger really should not be there. On the other hand, they suggest that it may be utilitarian if it provides the passion that leads one to punish and therefore to make the game work; that is, if it produces retaliation. They obviously have a problem with the real phenomenon of anger, which is an absolutely dominant, overwhelming thing. I want to mention Homer in this connection. Anger is a central theme of Greek psychology, beginning with Homer's *Iliad*, whose first word is "anger"; Achilles was the angry man. Any study of Plato or Aristotle will show that anger is a central and good part of the soul, although problematic, to be sure, as everything is. (Both Plato and Aristotle had this in common with rational-choice theorists: they believed that man has problems with getting himself in order.) Anger is, objectively, a strange, dark passion, but it is also connected with the noblest things. I mean, simply, that it is the only passion in man, the only power that can explain his willingness to die for something. And it seems to me that the willingness to die for something always mucks up rational-choice theory. I may be wrong, but I think an example of this is our foiled strategy during the Vietnam War. The willingness of the North Vietnamese to die meant that they were willing to pay a great deal more than anybody, certainly than economists, believed they would. I do not find rational-choice theory very helpful, either, in explaining extreme actions such as those of the Ayatollah Khoemeini. Usually they are the extreme actions of angry men. The notion that extremes of angry behavior could be fine-tuned by genetics is highly questionable to me.

Hobbes's whole argument is that we have to cut anger, and everything that goes with it, out of the soul—both the ugly vengefulness and the nobility connected with anger. That is the foundation stone for a great deal of modern psychology. And of course, if one is frightened enough, one does not get angry; that in a way shows the power of fear in the soul. Here lies the basic source of the criticism made on all sides of bourgeois man, or the man of the capitalist order, or the rational individualist. Perhaps the best known example is Hegel's definition of the bourgeois as the man motivated by fear of violent death. This excision, as it were—it is almost an operation—of

anger from the soul, took away much of the soul's nobility, but also made it possible to have a modern economy.

Since Hobbes says that the natural condition of man is war, one first has to understand war and its causes, and only then understand that a market is a continuation of war by other means (if I may misappropriate Clausewitz). One of Hobbes's predecessors tells us what real selfishness is and what one has to do really to put a market in order and to change from warlike to peaceful selfishness—and that is Machiavelli, whose basic theme, of course, is force and fraud. Hobbes developed his own thought in this continuous tradition. This is one of the things I have in mind in suggesting that, despite sounding like tough guys, economists are really not warriors. My thought—my exhortation or invitation—is that we really must go back and read Hobbes with great care, and likewise Adam Smith. By this I do not mean treating Smith as, for instance, George Stigler does, taking just the elements that suit him. Rather, I mean reading with a serious attention and an openness that permit us really to learn from the text, to be disciplined by it.

Professor Gauthier's chapter discusses Ulysses' choices when he sailed past the island of the Sirens. One critical aspect of Ulysses' choice is not mentioned, however. Ulysses' sticking wax in the ears of his sailors reflects his judgment that he should hear and they should not. It would be absurd to take that risk if these were just ice cream cones that the Sirens were offering. The story concerns the knowledge of something very powerful that may not be good or tolerable for everybody but that a ruler may need or want. A real issue is involved in Ulysses' choice, which rational-choice analysis wrings out until it loses its human vitality. My fear is that the market model, although obviously very useful in ways that Professor Rhoads, among others, describes, begins with such a thin picture of man and such a thin picture of reason that it contributes to the terrible growth of irrationalism that Professor Gauthier mentions.

As a younger man I discussed this issue with Charles E. Lindbloom for hundreds and hundreds of hours. I once said to him, "Aren't you in danger of simplifying man for your model?" He replied, "I'd love to simplify him so I could predict him." That is fine for the model, but the question is, What would that have to do with life? Moreover, if one started making policy on this basis, without a clear notion of human nature as something that is inviolable, would one not be transforming man, or possibly deforming him? I believe we need a reengagement of these issues with all the experience that

we have had. All that unhappy experience with predictions, plans, and policies that allows us to be theoretical—we would not be theoretical if we succeeded in all that; we would be too happy.

I also think we must study Hobbes, since he speaks to the ancients; in this respect I am thinking about the chapter of Professors McCloskey and Nelson. In one sense I am very worried about a loss of understanding of man's depth, his freedom; but I am equally disturbed, or perhaps more so, by the eradication, proposed by Professor McCloskey, of the distinction between sophist and philosopher. In a way that is equivalent to the loss of the distinction between education and propaganda. I think we will have to take seriously how Socrates presents the sophists to consider whether indeed his depiction might be true and whether some such distinction might not indeed hold. These are the kinds of issues that we need to address. I will end by asking, What do we need? We need history of political philosophy; let us get to work.

Editors' Note: What follows is an edited version of a discussion among James Buchanan, Viktor Vanberg, and Allan Bloom.

BUCHANAN: First of all, I appreciate your reference to Frank Knight, and I basically agree with your characterization and interpretation of him. I'm reminded of an old University of Chicago saying that was current when I was there in the forties that there is no God, and Frank Knight is His prophet.

I think your comments were quite perceptive, although I think that you're ambiguous on some points and perhaps misunderstand our position on some points. I start with the individual as he exists, largely because I don't know where else to start. That's all there is in my view. I start with the individual; I build up, then, from the individual. That's not the same thing as taking a methodologically individualist position. And, to some extent, taking a normative individualist's position is different from attributing to an individual a set of economic motives. The *homo economicus* assumption is a quite different assumption. Individuals can all seek their own version of the good, the true, and the beautiful. All of my logic follows as long as individuals don't universally agree. As long as individuals differ in what they prefer or what they desire, everything follows in a contractarian sort of logic. Many noneconomists tend to confuse that and think that being an individualist is the same thing as applying a

homo economicus description of the individual. That's something, I think, that may slip a little bit into your discussion.

Early in your discussion you pose the question—and you express some doubt whether we would accept your formulation, but I surely do—How do we move from individuals with identifiable, separate, differing interests, whatever these might be? How do we move from that which generates a Hobbesian conflict to a situation where individuals will behave in furtherance of something that you called a common good and that, in slightly different terminology, I will call their more general, shared interest? How do we get over this problem of complying with the set of rules or with the social order that they would all be involved in? How do we construct that bridge? And how we construct that bridge is the whole exercise that David Gauthier, I, and many other people are involved in. That's where justice comes in, and in this connection I want to take issue with the criticisms to which John Rawls was subjected [during discussion at the conference]. I feel a great deal of affinity for the whole Rawlsian exercise because that's precisely what Rawls is up to—trying to build this bridge from individual, identifiable interests that differ, to something in the general interest. The mode of construction is to step back behind some kind of veil and then try to agree, or talk about the possibility of agreeing on some principles of justice; justice is not brought in from the sky. I'm unwilling to bring in justice from the sky—that's the key difference here.

Now, this brings me to two final points that I'm not sure about. Let me relate my first point not to your discussion here but to your book *The Closing of the American Mind*. I share your prejudices almost completely.

BLOOM: I thought they were truths.

BUCHANAN: Your comment on rock music and the sixties is wonderful, and I wish I had written it, it was so good. I completely agree with it, but what I find finally disturbing about the book, and I find it also true of your present discussion, is something you don't quite come out with. You're not quite willing to say it, but underneath there is a kind of moral absolutist position that I can't go along with. You bring your attack to bear on a lot of cultural and value relativism. I can share most of that, but underneath it all there is a kind of moral absolutism that you don't quite come out front with.

BLOOM: That's what Frank Knight said at my doctoral dissertation defense. I feel like I'm reliving my youth.

BUCHANAN: I am, I think, a relatively absolute absolutist. And that can be true of moral as well as other values. But underneath it all you seem to be wanting to go and pull down something from on high. That's basically our difference.

BLOOM: It's such a civil and interesting response for me. I don't think you get to the social contract, but you get to the intellectual contract very easily. I would not say that my quest is for absolutes, but you can't simply say that the fundamental things are merely prejudices or preferences. One has to get to the big issues, and in order to get to the big issues one has to be able to dismiss some. I mean, for example, the issue for Knight was somehow the market versus God, and he really didn't worry about people who were interested in odd entertainments or perversities. It is in that sense that the intellectual discussion, in order to be seriously engaged, cannot simply be a market phenomenon. I would be open—I wouldn't be absolutely certain there's nothing on high—and that's the key difference. But I didn't say that I'm looking for something on high.

VANBERG: I would like to add a bit to the arguments to which Professor Buchanan already alluded. Your central question as I understood it is, Why do you begin where you begin?—with an individualistic conception and a notion of the self-interested individual? Basically my answer is the same as Professor Buchanan's: Where else do you want to begin? If you can provide an alternative perspective that allows us to make better sense of what we observe around us, then I am certainly the person who's most interested in learning about it. Our assumption is first that among the alternatives that we know of, it's the most truthful and most powerful perspective, which allows us to make sense of our observations of revealed behavior. And second, it seems to us to be the most fruitful perspective for approaching the question of how should we organize our social life.

You somehow implied—and this is a classical assumption in much of political philosophy—that if you start off with the assumption of self-interested individuals, then the problem of political and social order cannot be solved. We tried to show that it can be solved; that is, for people to be able to live in a mutually beneficial, peaceful

social order, it's not necessary that they have a concern for the public good. Self-interested people who are capable of diagnosing the problem situation they are in—in the way that Hobbes did, and the way we do by depicting these prisoners' dilemma kinds of structures—such people are well able to identify their interests in being mutually constrained by certain rules, and they can find ways to make workable such systems of rules as they can agree on. And in order for those systems of rules to be workable, no transformation and no public concern is necessary. David Hume got it, in my understanding, perfectly right when he said that the whole problem is that it is an illusion to expect that we can change something in our nature. We can't transform ourselves into angels; we are the way we are. All we can hope for, and all we can do, is to change the constraints under which we act, so as to get a framework that allows us to carry out a peaceful and mutually beneficial social life.

Let me add just one more point. You mentioned the problem of passions—anger and such things—and how they relate to a rational-choice perspective. I'm quite willing to concede that these types of behavior don't lend themselves so readily to rational-choice explanation; that we should be aware of these things; and that we might have to add something to our theories. But the question is, What can we add? And how can we expand our explanation in a systematic way, and not just say that there are these additional things? But the point that I really wanted to make is that even with regard to those things—anger and other passions—rationality is not totally excluded. There is a famous cartoon in which a raging wife and husband throw china at each other. Now I would predict, and rational-choice theory would predict, that if a raging person knows that one piece of china is extremely valuable and one is cheap, the person will pick up and throw the cheap piece.

BLOOM: That raging person is not Achilles. He took the biggest Chinese vase he could find. Now, just two or three words on the other side. My position, of course, is that I don't think you predict; and that would be the issue of the debate. I don't think you have persuasively bridged the gap. If I did, I would of course immediately give in. Second, when you quoted Hume, you mentioned human nature. I don't find that economists talk much about human nature. In a way, that is the issue: what human nature is. If that is the question, then human nature might prove to be fundamentally social or fundamentally individualist. I don't know.

I believe it's not true that you begin the argument with human beings as they actually are. Just think of Hobbes, who mounted an enormous rhetoric to persuade people that the things they thought mattered *don't* matter. Many of them thought they believed in God, believed in an afterlife, thought that their social institutions were solid. And he engaged in a powerful act of rhetoric to describe the state of nature, where the life of man is solitary, poor, nasty, brutish, and short. He sought to persuade people, that this is the fundamental situation. That's not the way our society looks and indeed I'm even less persuaded that that's the way other societies look, because our society is partly already a creation of that economics. In a way, you see, I'm accusing that economics of being a project of very intelligent men who made us the way we are. And then we say, "Aha! Look! We're that way."